

# Australian bank chief resigns over money laundering charges

By Mike Head  
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Australia's banking system and share market was thrown into turmoil this week by the forced resignation of Brian Hartzer, the CEO of Westpac, the country's oldest bank and one of the "big four" that dominate the local lending market and stock exchange.

Hartzer's fall comes on top of the Liberal-National Coalition government's 2017–19 royal commission inquiry. It confirmed, in case after case, that the banks and other major finance houses had long been guilty of defrauding customers of millions of dollars, including by charging fees for no services and taking money off the dead.

Despite this systemic criminality, undertaken in order to boost profits to record levels, no bank chief has been placed on trial. Instead, the profiteering has resumed in new forms. Overall profits have been dented seriously, however, by record low interest rates, a real estate property plunge and new tech-based competitors. There also has been some divestiture of the banks' most lucrative and notorious operations, such as those offering loss-making financial advice and deceptive insurance policies.

This latest scandal does not directly involve cheating customers. Rather, it centres on allegations leveled against Westpac management by the Australian Transaction Reports and Analysis Centre (AUSTRAC), the official money-tracking agency whose far-reaching surveillance and transaction-tracking powers were extended in 2006 in the name of combatting terrorism.

Nominally, Hartzer was compelled to quit by large superannuation funds and institutional shareholders after AUSTRAC unveiled about 23 million charges of breaching money laundering laws. For five days, Hartzer refused to quit, telling his senior executives on Monday morning the allegations were "not an Enron or Lehman Brothers"—referring to the scandal-triggered financial collapses in 2001 and 2008. However, the bank's board axed him on Monday night after the allegations contributed to a fall in Westpac share prices by around 10 percent, causing losses totalling almost \$10 billion.

AUSTRAC and the corporate media placed the spotlight

on accusations that 12 of the transactions were reputedly associated with allowing customers to finance child sexual exploitation activity. The crusade was joined by government figures, from Prime Minister Scott Morrison down, and matched by Labor Party leaders. In particular, Home Affairs Minister Peter Dutton, who heads the huge police, intelligence and "border protection" apparatus, told parliament: "Westpac banking bosses, through their negligence, have given a free pass to paedophiles and there is a price to pay for that, and that price will be paid."

These dozen transactions, however, were only the tip of an iceberg, whose transactions go far beyond allowing alleged paedophiles to transfer cash across national borders. According to Westpac chairman Lindsay Maxsted, who has now been forced to retire early, the bank did report to AUSTRAC its failure to identify 19.5 million International Funds Transfer Instructions over a five-year period. Nevertheless, Maxsted claimed, Westpac knew nothing about the child exploitation links until an AUSTRAC investigation was completed this month.

Much of the media coverage has focused on the fact that Hartzer, despite presiding over a mountain of alleged illegal transactions, is being permitted to depart largely scot-free. Hartzer will remain Westpac CEO until December 2 and be paid his fixed salary of \$2.7 million in lieu of 12 months' notice. He will forgo up to \$22 million in short-term and long-term bonuses but will take with him a parcel of fully-paid Westpac shares worth \$1.6 million.

Hartzer's payout typifies the obscene salaries, incentive packages and "golden handshakes" handed out to top corporate executives and the wealthy elite, in contrast to the low pay, real wage cuts and sackings inflicted on workers. Hartzer should have little difficulty in managing—he currently lives in a \$12 million-plus modern mansion in Sydney's wealthiest harbourside suburb, Vacluse, and has a \$7 million historic weekend house on Pittwater, a northern Sydney bay.

Hartzer was not ousted over concerns for social equality or justice, however, nor were the other bank chiefs who have

departed since the start of the royal commission. Closer attention needs to be paid to the underlying forces at work. In particular, in the case of Westpac, like the privatised Commonwealth Bank of Australia (CBA), the country's largest bank, the allegations relate to violating transaction controls. CBA CEO Ian Narev resigned in 2017 after AUSTRAC charged CBA with almost 54,000 breaches of money-laundering laws.

AUSTRAC has charged Westpac with some 23 million breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, which requires Westpac to send reports to AUSTRAC. These transactions totalled \$11 billion over five years.

Other charges allege a failure to monitor money movements in and out of Australia, and a failure to conduct due diligence on customers sending money to countries known for child exploitation risks. Twelve itemised cases of alleged paedophile activity have been referred to the Australian Federal Police.

At the heart of the scandal is a remittance service, called LitePay, which Westpac launched in 2016, allowing customers to send payments of less than \$3,000 to various overseas countries. Like other banks, Westpac moved into this profitable trade after kicking rival transfer services off its banking system. Cynically, Westpac cited concerns about money laundering and terrorism financing to justify its move.

Westpac was following the lead of its three "big four" rivals. Collectively, they have reduced the number of firms registered and active in Australia's remittance industry from around 800 to 30.

Such activities permit the banks to share in the multi-billion dollar annual global money-moving trade that facilitates transfers to tax havens, related criminal syndicates, drug cartels and, in some instances, favoured terrorist groups.

The strike against Westpac appears to be related to the rising economic and military tensions produced by the Trump administration and its predecessors in their efforts to halt the relative decline of the United States's post-World War II dominance and prevent the rise of potential challengers, including China.

According to the Australian Broadcasting Corporation's Ian Verrender, "there are implications here for national and global security." Westpac had "left the door wide open" for undetected transactions. It had relationships with "16 separate foreign banks" in a scheme known as "correspondent banking" that "delivered open access to our banking system with no oversight."

This could facilitate sanctions-busting transactions, cutting across crippling restrictions imposed by the US and its

allies. "Westpac helped foreign banks open accounts in sanctioned countries such as Iraq, Lebanon, Ukraine, Zimbabwe or the Democratic Republic of the Congo," Verrender reported.

AUSTRAC operates as part of a global tracking network, which has been under review by a Financial Action Taskforce initiated by the G7 major world economies. That review, currently suspended, had been expected to criticise Australia for delays in extending AUSTRAC to cover real estate agents, lawyers and accountants.

At present, AUSTRAC "regulates over 15,000 financial entities, including banks, credit unions, remittance service providers and casinos," a spokeswoman for the agency said. It obtains data from organisations and operations that attract large amounts of cash or money transfers—from gaming, gambling and sailing clubs, to golf clubs and banks.

For now, the Westpac affair has alarmed the finance industry. There is speculation in ruling-class circles that AUSTRAC will impose a fine exceeding \$1 billion on Westpac. According to financial commentators, any fine over \$1.5 billion could cause problems for the bank in maintaining the capital balances required by government regulators.

Representing the largest corporations operating in the country, Business Council of Australia chief executive Jennifer Westacott said the upheaval would "clear the air" around Westpac. But she warned against a new round of "bank bashing," saying it could restrict the flow of credit to businesses and individuals.

Politically, as Westacott's concern reflects, the scandal adds to the growing popular hostility toward the banks and the financial elite, as well as the political establishment that has protected and facilitated their profiteering operations for decades.

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